

## Message Text

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ACTION ARA-10

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 1309

INFO USMTN GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS SECTION 1 OF 2 BRASILIA 7706

E.O. 11652: N/A

TAGS: EGEN, ETRD, BR, US

SUBJECT: BRAZILIAN AIDE-MEMOIRE ON ECONOMIC CONSULTATIVE

1. SUMMARY. AUGUST 27 EMBASSY RECEIVED AIDE-MEMOIRE FROM FOREIGN MINISTRY ON INFORMAL ECONOMIC CONSULTATIVE GROUP WHICH WAS ESTABLISHED DURING VISIT OF UNDER SECRETARY ROBINSON. EMBASSY RECOMMENDS US CONFIRM GOB'S UNDERSTANDING, WITH EXCEPTION NOTED BELOW. END SUMMARY.

2. FOLLOWING IS AN INFORMAL TRANSLATION OF AIDE-MEMOIRE: WITH REFERENCE TO THE AIDE-MEMOIRE, DATED JULY 25, 1975, FROM EMBASSY OF THE UNITED STATES OF AMERICA, CONCERNING THE VISIT TO BRASILIA OF UNDER-SECRETARY OF STATE FOR ECONOMIC AFFAIRS, CHARLES W. ROBINSON, AND THE RESULTS OF THE TALKS HELD ON THAT OCCASION, THE BRAZILIAN GOVERNMENT STATES ITS UNDERSTANDING OF THE QUESTIONS DISCUSSED AS FOLLOWS: THE BRAZILIAN GOVERNMENT UNDERSTANDS THAT, AS A RESULT OF THE BILATERAL TALKS HELD ON THE OCCASION OF THE VISIT OF UNDER-SECRETARY ROBINSON, AN INFORMAL UNCLASSIFIED

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ECONOMIC CONSULTATIVE GROUP HAS BEEN CREATED. THE

GROUP WILL MEET ALTERNATELY IN BRASILIA AND IN WASHINGTON AT LEAST ONCE A YEAR. EITHER OF THE PARTIES CAN, IF NECESSARY, ASK FOR A MEETING OF THE GROUP, THROUGH THE APPROPRIATE DIPLOMATIC CHANNELS. IN THE MEETINGS, THE BRAZILIAN SIDE WILL BE CHAIRED BY THE HEAD OF THE ECONOMIC DEPARTMENT OF THE MINISTRY OF EXTERNAL RELATIONS AND THE AMERICAN SIDE BY THE UNDER-SECRETARY OF STATE FOR ECONOMIC AFFAIRS.

THE MANDATE OF THE INFORMAL ECONOMIC CONSULTATIVE GROUP IS AS FOLLOWS:

- (I) TO REVIEW ECONOMIC MATTERS OF MUTUAL INTEREST AT GLOBAL, HEMISPHERIC, AND BILATERAL LEVELS;
- (II) TO CONSULT ON AND TO SEEK TO IDENTIFY SOLUTIONS TO SPECIFIC ECONOMIC PROBLEMS.

IT IS THE UNDERSTANDING OF THE BRAZILIAN GOVERNMENT THAT, IN ADDITION TO THE INFORMAL ECONOMIC CONSULTATIVE GROUP, A TRADE CONSULTATIVE GROUP (GRUPO CONSULTIVO SOBRE COMERCIO) HAS ALSO BEEN CREATED, WHICH SHALL MEET IN BRASILIA WITHIN NINETY (90) DAYS AFTER THE VISIT OF UNDER-SECRETARY ROBINSON, AND WHOSE MANDATE-- INSOFAR AS IT RELATES TO TRADE MATTERS -- AND MEETING PROCEDURES WILL BE IDENTICAL TO THAT OF THE FIRST GROUP.

WITH RESPECT TO THE STAMENT IN THE EMBASSY'S AIDE MEMOIRE, HOWEVER, THAT THERE HAS BEEN AGREEMENT THAT SPECIFIC TECHNICAL AND COMMERCIAL PROBLEMS SHOULD CONTINUE TO BE ANALYZED DIRECTLY THROUGH THE EXISTING TECHNICAL CHANNELS, INSTEAD OF THROUGH SUB-GROUPS, THE BRAZILIAN GOVERNMENT WISHES TO EMPHASIZE ITS UNDERSTANDING ON THIS MATTER, WHICH IS AS FOLLOWS: ALTHOUGH THERE WAS AGREEMENT THAT THE TRADITIONAL TECHNICAL CHANNELS WILL CONTINUE TO BE UTILIZED FOR THE ANALYSIS OF THE TECHNICAL ASPECTS, A CONSENSUS WAS REACHED THAT ANY TRADE PROBLEM INCLUDED UNDER THE TERMS OF REFERENCE OF THE INFORMAL ECONOMIC CONSULTATIVE GROUP CAN BE RAISED IN THE TRADE CONSULTATIVE GROUP.

THE BRAZILIAN GOVERNMENT UNDERSTANDS THAT THE AGENDA OF THE FIRST MEETING OF THE TRADE CONSULTATIVE GROUP WILL BE THE FOLLOWING:

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- (I) THE MULTILATERAL TRADE NEGOTIATIONS, INCLUDING THE FULL RANGE OF SPECIFIC ISSUES TREATED IN THE FORA IN WHICH THESE NEGOTIATIONS ARE BEING CONDUCTED;
- (II) BILATERAL QUESTIONS: PROBLEMS FOR BRAZILIAN EXPORT IN THE AMERICAN MARKET; PROBLEMS FOR AMERICAN EXPORTS IN THE BRAZILIAN MARKET; EXPORT INCENTIVES AND APPLICATION OF COUNTERVAILING DUTIES;
- (III) THE CONTINUOUS EXPANSION OF TRADE BETWEEN

BRAZIL AND THE UNITED STATES OF AMERICA, INCLUDING THE PROBLEM OF THE BRAZILIAN TRADE DEFICIT WITH THE USA. IN THIS CONTEXT, THE BRAZILIAN GOVERNMENT WISHES TO EMPHASIZE ITS UNDERSTANDING THAT THE BILATERAL AND MULTILATERAL PROBLEMS CAN, IF NECESSARY, BE ANALYZED JOINTLY.

THE BRAZILIAN GOVERNMENT WOULD APPRECIATE RECEIVING CONFIRMATION THAT ITS UNDERSTANDINGS OF THE DECISIONS AGREED UPON DURING UNDER-SECRETARY OF STATE FOR ECONOMIC AFFAIRS' VISIT TO BRAZIL COINCIDES, WITH THE AMERICAN GOVERNMENT'S UNDERSTANDING ON THIS MATTER.

BRASILIA, AUGUST 25, 1975

3. EMBASSY COMMENT: THE FOREIGN MINISTRY'S RESPONSE APPEARS TO DIFFER ON THREE POINTS FROM THE EMBASSY'S AIDE-MEMOIRE:

(A) RELATIONSHIP OF TRADE CONSULTATIVE GROUP TO BILATERAL INFORMAL ECONOMIC CONSULTATIVE GROUP. THE EMBASSY'S AIDE-MEMOIRE OF JULY 25 VERY CAREFULLY SPECIFIED FORMER TO BE A SUB-GROUP OF THE LATTER, AND THIS RELATIONSHIP WAS ELABORATED BY THE ADCM IN FOLLOW-UP DISCUSSION ON THE EMBASSY'S AIDE-MEMOIRE WITH MINISTER SERGIO ROUANET, CHIEF OF THE COMMERCIAL POLICY DIVISION, ON AUGUST 4, AFTER RECEIPT OF AIDE-MEMOIRE, ADCM CALLED ROUANET ON SEPTEMBER 2, TO ASCERTAIN GOB'S UNDERSTANDING OF THE RELATIONSHIP BETWEEN THE TWO BODIES. ROUANET SAID GOB'S UNDERSTANDING WAS EXACTLY LIKE OURS, AND PARTICULAR WORDING IN GOB'S AIDE-MEMOIRE, SUCH AS PHRASE "IN ADDITION TO", (ALEM DE) AND OMISSION OF "SUB" IN TITLE OF GROUP WAS SIMPLY LOOSE DRAFTING. ADCM PROPOSED THAT EMBASSY'S RESPONSE REITERATE US UNDERSTANDING AND ROUANET SAID THIS WOULD BE ACCEPTABLE.

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INFO OCT-01 EUR-12 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

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(B) REFORMULATION OF THE AGENDA FOR THE FIRST MEETING OF THE TRADE CONSULTATIVE SUB-GROUP, ITEMS (II) AND (III) WERE RE-FORMULATED BY THE GOB TO ESTABLISH GREATER "SYMMETRY" AND TO ENSURE THAT ISSUES OF CONCERN TO GOB, SUCH AS THE SEVERE TRADE IMBALANCE AND PROBLEMS OF BRAZILIAN EXPORTS WOULD BE FULLY COVERED.

(C) RELATIONSHIP OF SUB-GROUP ON TRADE TO EXISTING TECHNICAL CHANNELS. THIS PARAGRAPH IN QUESTION IN FOREIGN MINISTRY'S AIDE-MEMOIRE TOUCHES ON AN AREA OF CENTRAL CONCERN TO GOB. DURING MEETING BETWEEN ROUANET AND ADCM ON AUGUST 4, REFERRED TO EARLIER, ROUANET REPEATEDLY INQUIRED ABOUT US INTENT IN SEEKING TO DISTINGUISH ISSUES TO BE TREATED THROUGH EXISTING CHANNELS FROM THOSE TO BE DEALT WITH IN THE TRADE CONSULTATIVE SUB-GROUP. ROUANET EXPRESSED APPREHENSION THAT USG, USING THIS QUALIFICATION IN EMBASSY'S AIDE-MEMOIRE (I.E. "SPECIFIC TECHNICAL AND COMMERCIAL PROBLEMS SHOULD CONTINUE TO BE EXAMINED THROUGH EXISTING TECHNICAL CHANNELS RATHER THAN IN SUB-GROUPS") MIGHT SEEK TO EXCLUDE ISSUES OF CONCERN TO THE GOB. ADCM SAID THAT THIS CONCERN WAS UNFOUNDED. US WAS APPROACHING THE BILATERAL CONSULTATIVE MECHANISM IN GOOD FAITH AND WAS DETERMINED TO MAKE IT WORK. THE CONSULTATIVE MECHANISM COULD NOT

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SERVE ITS PURPOSE IF MAJOR ISSUES OF CONCERN TO EITHER PARTY COULD NOT BE DISCUSSED. US INTENT, IN ADVANCING THE QUALIFICATION WAS REALLY TWO FOLD. FIRSTLY, WE WISHED TO PRESERVE THE EXISTING CHANNELS, SUCH AS THOSE BETWEEN THE MINSITRY OF FINANCE AND THE US TREASURY, WHICH HAD PROVEN THEIR VALUE IN RESOLVING SPECIFIC ISSUES BETWEEN THE TWO SIDES. SECONDLY, THE CONSULTATIVE SUB-GROUP WAS NOT PER SE A NEGOTIATING FORUM. IT, THEREFORE, SHOULD CONCERN ITSELF WITH IDENTIFYING AND DELINEATING POSSIBLE APPROACHES AND SOLUTIONS TO SPECIFIC BILATERAL AND MULTILATERAL PROBLEMS BUT IT SHOULD NOT SERVE AS FORUM FOR VERY DETAILED TECHNICAL NEGOTIATIONS OF THESE SOLUTIONS. ROUANET-- WHO CLEARLY HAD MISGIVINGS ABOUT THIS FORMULATION-- SAID THAT NOTWITHSTANDING THIS US DISTINCTION, THE GOB WOULD WISH TO BE REASSURED THAT TRADE PROBLEMS OF CONCERN TO THE GOB COULD BE RAISED.

4. ACTION REQUESTED. EMBASSY REQUESTS AUTHORITY TO ACKNOWLEDGE AND CONFIRM GOB'S AIDE-MEMOIRE, WITH EXCEPTION OF

CLARIFICATION UNDER 3.A ABOVE.  
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